

# Senate File 283 - Introduced

SENATE FILE \_\_\_\_\_  
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(COMPANION TO HF 216 BY FORD)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act prohibiting the use of credit information for underwriting  
2 or rating risks for personal insurance and providing penalties  
3 and an applicability date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 1627SS 82  
6 av/gg/l14

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1 1 Section 1. Section 507B.4, Code 2007, is amended by adding  
2 the following new subsection:  
1 3 NEW SUBSECTION. 19. USE OF CREDIT INFORMATION. Any  
1 4 violation of section 515.109A.  
1 5 Sec. 2. Section 515.109A, subsections 1 and 2, Code 2007,  
1 6 are amended to read as follows:  
1 7 1. DEFINITIONS. As used in this section unless the  
1 8 context otherwise requires:  
1 9 a. "Adverse action" means a denial of issuance,  
1 10 cancellation, or refusal to renew, an increase in any charge  
1 11 for, or a reduction or other unfavorable change in the terms  
1 12 of coverage or amount of any personal insurance existing or  
1 13 applied for, or in connection with the underwriting of  
1 14 personal insurance.  
1 15 ~~b. "Affiliate" means any company that controls, is~~  
~~1 16 controlled by, or is under common control with another~~  
~~1 17 company.~~  
1 18 ~~c.~~ b. "Applicant" means an individual who has applied to  
1 19 be covered by a personal insurance policy with an insurer.  
1 20 ~~d.~~ c. "Consumer" means an insured whose credit  
1 21 information is used or whose insurance score is calculated in  
1 22 the underwriting or rating of a personal insurance policy or  
1 23 an applicant for such a personal insurance policy.  
1 24 ~~e.~~ d. "Consumer reporting agency" means any person that,  
1 25 for monetary fees, dues, or on a cooperative nonprofit basis,  
1 26 regularly engages in whole or in part in the practice of  
1 27 assembling or evaluating consumer credit information or other  
1 28 information concerning consumers for the purpose of furnishing  
1 29 consumer credit reports to third parties.  
1 30 ~~f.~~ e. "Credit information" means any information related  
1 31 to credit that is contained in or derived from a credit  
1 32 report, or provided in an application for personal insurance.  
1 33 Information that is not related to credit shall not be  
1 34 considered "credit information" regardless of whether the  
1 35 information is contained in or derived from a credit report or  
2 1 an application for credit or is used to calculate an insurance  
2 2 score.  
2 3 ~~g.~~ f. "Credit report" means any written, oral, or other  
2 4 communication of information by a consumer reporting agency  
2 5 that relates to a consumer's creditworthiness, credit  
2 6 standing, or credit capacity and that is used or expected to  
2 7 be used or is collected, in whole or in part, for the purpose  
2 8 of serving as a factor in determining personal insurance  
2 9 premiums, eligibility for personal insurance coverage, or tier  
2 10 placement.

2 11 h. g. "Insurance score" means a number or rating that is  
2 12 derived from an algorithm, computer application, model, or  
2 13 other process that is based in whole or in part on credit  
2 14 information for the purposes of predicting the future  
2 15 insurance loss exposure of a consumer.  
2 16 ~~i. h.~~ "Insured" means an individual who is covered by a  
2 17 personal insurance policy.  
2 18 ~~j. i.~~ "Personal insurance" means personal insurance and  
2 19 not commercial insurance and is limited to private passenger  
2 20 automobile, homeowners, farm owners, personal farm liability,  
2 21 motorcycle, mobile home owners, noncommercial dwelling fire,  
2 22 boat, personal watercraft, snowmobile, and recreational  
2 23 vehicle insurance policies, that are individually underwritten  
2 24 for personal, family, farm, or household use. No other type  
2 25 of insurance is included as personal insurance for the  
2 26 purposes of this section.  
2 27 2. USE OF CREDIT INFORMATION == PROHIBITED. An insurer  
2 28 authorized to do business in Iowa ~~that uses shall not use~~  
2 29 credit information to underwrite or rate risks for a policy of  
2 30 personal insurance ~~shall not do including but not limited to~~  
2 31 ~~doing~~ any of the following:  
2 32 a. ~~Use Using~~ an insurance score ~~that is calculated using~~  
2 33 ~~income, gender, address, zip code, ethnic group, religion,~~  
2 34 ~~marital status, race, or nationality of a consumer as a~~  
2 35 ~~factor.~~  
3 1 b. ~~Deny Denying~~ issuance, ~~cancel canceling,~~ or ~~refuse~~  
3 2 ~~refusing~~ to renew a policy of personal insurance ~~solely based~~  
3 3 ~~on the basis any consideration~~ of credit information, ~~without~~  
3 4 ~~consideration of any other applicable underwriting factors~~  
3 5 ~~independent of credit information that are not otherwise~~  
3 6 ~~prohibited under paragraph "a".~~  
3 7 c. ~~Base Basing~~ a consumer's renewal rates for personal  
3 8 insurance ~~solely on the basis any consideration~~ of credit  
3 9 information, ~~without consideration of any other applicable~~  
3 10 ~~underwriting factors independent of credit information that~~  
3 11 ~~are not otherwise prohibited under paragraph "a".~~  
3 12 d. ~~Take Taking~~ adverse action against a consumer ~~solely~~  
3 13 ~~because based on any consideration of the fact that the~~  
3 14 consumer does not have a credit card account, ~~without~~  
3 15 ~~consideration of any other applicable underwriting factors~~  
3 16 ~~independent of credit information that are not otherwise~~  
3 17 ~~prohibited under paragraph "a".~~  
3 18 e. ~~Consider Considering~~ an absence of credit information  
3 19 or an inability to calculate an insurance score in  
3 20 underwriting or rating personal insurance ~~unless the insurer~~  
3 21 ~~does one of the following:~~  
3 22 (1) ~~Treats the consumer as if the consumer has neutral~~  
3 23 ~~credit information, as defined by the insurer.~~  
3 24 (2) ~~Excludes the use of credit information as an~~  
3 25 ~~underwriting factor and only uses other underwriting criteria.~~  
3 26 f. ~~Take Taking~~ adverse action against a consumer based on  
3 27 credit information, ~~unless the insurer obtains and uses a~~  
3 28 ~~credit report issued or an insurance score calculated within~~  
3 29 ~~ninety days before the date a personal insurance policy is~~  
3 30 ~~first written or a renewal is issued.~~  
3 31 g. ~~Use credit information unless not later than every~~  
3 32 ~~thirty-six months following the last time that the insurer~~  
3 33 ~~obtained current credit information for the insured, the~~  
3 34 ~~insurer recalculates the insurance score or obtains an updated~~  
3 35 ~~credit report for the insured. Regardless of the requirements~~  
4 1 ~~of this paragraph:~~  
4 2 (1) ~~At annual renewal, upon the request of the consumer or~~  
4 3 ~~the consumer's agent, the insurer shall re-underwrite and~~  
4 4 ~~re-rate the personal insurance policy based upon a current~~  
4 5 ~~credit report or insurance score. An insurer is not required~~  
4 6 ~~to recalculate an insurance score or obtain a current credit~~  
4 7 ~~report more than once in a twelve-month period.~~  
4 8 (2) ~~The insurer shall have the discretion to obtain~~  
4 9 ~~current credit information for a consumer more frequently than~~  
4 10 ~~every thirty-six months, if consistent with the insurer's~~  
4 11 ~~underwriting guidelines.~~  
4 12 (3) ~~Notwithstanding subparagraph (1), an insurer is not~~  
4 13 ~~required to obtain current credit information for a consumer~~  
4 14 ~~if any of the following applies:~~  
4 15 (a) ~~The insurer is treating the consumer as otherwise~~  
4 16 ~~approved by the commissioner of insurance.~~  
4 17 (b) ~~The consumer is in the most favorably priced tier of~~  
4 18 ~~the insurer, within a group of affiliated insurers. However,~~  
4 19 ~~the insurer shall have the discretion to obtain current credit~~  
4 20 ~~information, if consistent with the insurer's underwriting~~  
4 21 ~~guidelines.~~

4 22 ~~(c) Credit information was not used for underwriting or~~  
4 23 ~~rating the insured when the personal insurance policy was~~  
4 24 ~~initially written. However, the insurer shall have the~~  
4 25 ~~discretion to use current credit information for underwriting~~  
4 26 ~~or rating the insured upon renewal of the policy, if~~  
4 27 ~~consistent with the insurer's underwriting guidelines.~~  
4 28 ~~(d) The insurer reevaluates the insured beginning no later~~  
4 29 ~~than thirty-six months after the personal insurance policy was~~  
4 30 ~~initially written and thereafter, based on other underwriting~~  
4 31 ~~or rating factors, excluding credit information.~~

4 32 ~~h. g. Use Using any of the following as a negative factor~~  
4 33 ~~in any insurance scoring methodology or in reviewing credit~~  
4 34 ~~information used for the purpose of underwriting or rating a~~  
4 35 ~~personal insurance policy:~~

5 1 (1) Credit inquiries not initiated by the consumer or  
5 2 inquiries requested by the consumer for the consumer's own  
5 3 credit information.

5 4 (2) Inquiries relating to insurance coverage, if so  
5 5 identified on a consumer's credit report.

5 6 (3) Collection accounts with a medical industry code, if  
5 7 so identified on a consumer's credit report.

5 8 (4) Multiple lender inquiries, if coded by a consumer  
5 9 reporting agency on the consumer's credit report as being from  
5 10 the home mortgage industry and made within thirty days of one  
5 11 another, unless only one inquiry is considered.

5 12 (5) Multiple lender inquiries, if coded by a consumer  
5 13 reporting agency on the consumer's credit report as being from  
5 14 the automobile lending industry and made within thirty days of  
5 15 one another, unless only one inquiry is considered.

5 16 Sec. 3. Section 515.109A, subsections 3 through 8, Code  
5 17 2007, are amended by striking the subsections.

5 18 Sec. 4. Section 515.109A, subsection 9, Code 2007, is  
5 19 amended by striking the subsection and inserting in lieu  
5 20 thereof the following:

5 21 9. VIOLATIONS. A violation of this section is an unfair  
5 22 insurance practice as provided in chapter 507B.

5 23 Sec. 5. Section 515.109A, subsection 10, Code 2007, is  
5 24 amended to read as follows:

5 25 10. APPLICABILITY DATE. This section applies to personal  
5 26 insurance contracts or policies delivered, issued for  
5 27 delivery, continued, or renewed in this state on or after  
5 28 October 1, ~~2004~~ 2007.

#### 5 29 EXPLANATION

5 30 This bill amends Code section 515.109A to prohibit the use  
5 31 of credit information by insurers for underwriting or rating  
5 32 risks for personal insurance. Currently, the use of credit  
5 33 information for such purposes is allowed under certain  
5 34 circumstances.

5 35 Uses of credit information prohibited by the bill include  
6 1 using an insurance score; denying issuance, canceling, or  
6 2 refusing to renew a personal insurance policy based on any  
6 3 consideration of credit information; basing a consumer's  
6 4 insurance renewal rates on any consideration of credit  
6 5 information; taking any adverse action against a consumer  
6 6 based on any consideration of the fact that the consumer does  
6 7 not have a credit card account; considering an absence of  
6 8 credit information or an inability to calculate an insurance  
6 9 score in underwriting or rating personal insurance; and taking  
6 10 any adverse action against a consumer based on credit  
6 11 information. For purposes of the bill, "adverse action" means  
6 12 a denial of issuance, cancellation, or refusal to renew, an  
6 13 increase in any charge for, or a reduction or other  
6 14 unfavorable change in the terms of coverage or amount of any  
6 15 personal insurance existing or applied for, or in connection  
6 16 with, the underwriting of personal insurance.

6 17 The bill provides that a violation of Code section 515.109A  
6 18 is an unfair insurance practice as provided in Code chapter  
6 19 507B and the proceedings, orders, and penalties contained in  
6 20 Code chapter 507B are applicable to violations of the bill.

6 21 The bill is applicable to personal insurance contracts or  
6 22 policies delivered, issued for delivery, continued, or renewed  
6 23 in this state on or after October 1, 2007.

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